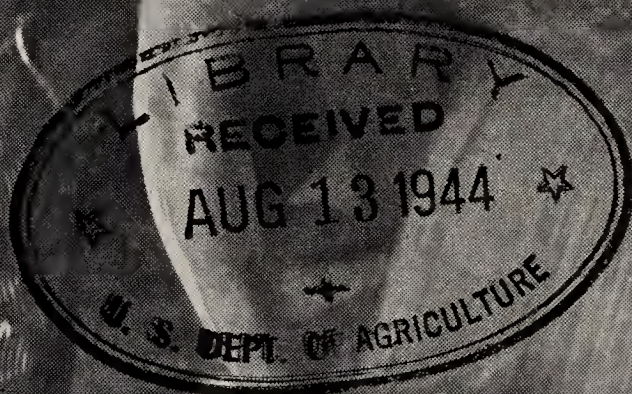


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CROP INSURANCE

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And the
**COUNTRY
ELEVATOR**

CROP INSURANCE and the COUNTRY ELEVATOR

IN EVERY farm community where wheat is an important crop, the country elevator is a key industry. At harvest time, all roads lead to the elevator where the farmer markets his crop and collects his summer's wheat income.

The average elevator operator or grain man is deeply interested in the welfare of his community—its farmers and its crops. He is in the unique position of being both a buyer and a seller, buying and handling the farmer's grain and selling the farmer many of the things he needs such as good seed, feed, fence posts, coal, wire, salt, and other merchandise. He knows that guaranteed yields to farmers will stabilize the buying power of the community he serves. In the past, the elevator man has seen his community and himself frequently robbed of stability by whims of the weather. He has seen years in which some unavoidable hazard such as drought, rust, winterkill, or flood has swept away the crop, leaving little grain for him to handle and little income for farmers to spend with him.

THE ELEVATOR MAN BUYS FROM THE FARMER





HE ALSO SELLS TO THE FARMER

The elevator man knows from first-hand experience how stable crop conditions contribute to his own welfare. He also knows from experience how a series of poor crop years not only cut down his income from handling grain and selling merchandise, but also make collections difficult and cause his own debts to pile up and his costs of operation to increase.

Pioneering Insurance . . .

Like farmers, elevator men have their risks. They must constantly be on guard against such catastrophes as explosions, fire, theft, price losses, and other perils that are inherent in the business. However, the elevator man can insure against these risks. In fact, the grain trade was one of the pioneers in developing the theory and practice of insurance. The earliest insurance on record goes back to the days when medieval traders insured cargoes of grain against loss at sea.

The average elevator man uses insurance wisely to protect himself from occasional losses from fire, theft, explosions, etc. He may hedge his purchases on the futures market to avoid losses through price changes. But he has been helpless to do anything to stabilize his business from year to year. Now, by encouraging wheat growers to insure their wheat acreage every year, he not only does the wheat grower a good turn, but he can be sure of a more brisk and steady flow of

trade. The wholesale spirit of cooperation exhibited by the grain-handling trade was of material benefit in introducing the crop insurance program to nearly 166,000 growers in 1939, providing a widespread demonstration of the stability that farmers might obtain through insurance.

Wheat Growers Try Insurance

Wheat growers long have sought methods to stabilize their industry, to make it possible for the farmer to have some assurance that his hard work and money invested in the crop, each fall or spring, will be returned at harvest time. Insurance which has proven so practical in other fields has long been advocated as a means by which the individual grower might avoid some of the risks he faces in producing the wheat crop.

All-risk wheat crop insurance has developed as the result of this long-felt need. The program which was introduced to the Nation's wheat industry on the 1939 crop was developed by and primarily for farmers. But grain men, insurance men, and businessmen who saw in such a program an indirect benefit to themselves also have cooperated effectively to give this program momentum.

How Crop Insurance Operates

All-risk wheat crop insurance is a simple, practical program based on sound actuarial

GOOD YIELDS HELP THE COMMUNITY





ALL-RISK INSURANCE BECOMES AVAILABLE TO THE FARMER

studies, utilizing the same principles of insurance which have long served the grain industry. Naturally, the program had to be designed especially to fit the peculiar risks faced by the wheat grower. The highlights of the plan are as follows:

Protection . . .

Wheat crop insurance is all-risk. It guarantees the grower against loss of the crop from all unavoidable hazards including drought, hail, wind, frost, winterkill, fire, disease, and insect and animal pests.

The guaranteed yield is either 50 or 75 percent of the average yield of each individual farm insured. This average yield is determined from the actual average yield or an appraisal of the yield for the farm for a representative base period.

Cost . . .

Premiums for wheat crop insurance are based on the actual or appraised loss experience of the farm for the base period. This "loss cost" is blended with the loss experience of the county in which the farm is located to smooth out the effect of any accidental losses which may have occurred on the farm during this base period, or, conversely, to reflect any general losses which this particular farm may have been spared in the base period.

Indemnities . . .

If an insured producer's yield falls below the insured yield, the crop insurance contract insures that indemnities will be paid to bring the production up to the insured amount. For instance, if the crop is insured for 12 bushels an acre, but the actual yield is only 8, the Corporation would indemnify the grower to the extent of 4 bushels an acre.

Reserves . . .

Premiums paid in by producers are invested in an insurance reserve held by the Corporation in the form of actual wheat in storage. Indemnities are paid from the wheat reserves. The operation of this reserve is automatic and in no way can interfere with the free play of supply and demand in the market. The Corporation may build up the reserve only as growers pay premiums and may reduce it only as wheat from the reserve is required to pay the losses of insured crops. In addition to the wheat reserves \$20,000,000 has been obtained by the Corporation through the sale of its authorized capital stock. This capital supplements the wheat reserve. In case indemnities exceed the premiums paid into the wheat reserve in any one year, this capital can be used to pay indemnities.

**THE COUNTRY ELEVATOR HAS HELPED
TO SELL CROP INSURANCE**





An All-Wheat Program

An unusual and important feature of the crop insurance plan is that all operations are carried out in terms of actual bushels of wheat. Insurable yields and indemnity payments are calculated in terms of wheat. Premium payments are also stated in terms of wheat. Growers may pay in wheat with a warehouse receipt representing wheat in storage, or in the cash equivalent of wheat at the market price at the time the payment is due, or by assignment of agricultural conservation payments. Whether payments are made in cash or “in kind,” all premiums are immediately invested in actual wheat and held in storage for the insurance reserve.

This “all wheat” method eliminates the price-risk element. Crop insurance guarantees yield alone, not price. Thus, it enables crop insurance premiums to be based on the actual amount of risk involved in growing wheat on a given farm in a given county, without regard to price fluctuations.

Administration . . .

The wheat crop insurance program is administered by the Federal Crop Insurance Corporation, an agency of the United States Department of Agriculture, operating as a part of the AAA program. Because the wheat crop insurance program should contribute materially to the general welfare of agriculture the Federal Govern-

ment provides funds for administration and for storing the wheat reserve.

The crop insurance program is being administered by a corporate set-up in order to facilitate the carrying out of its operations. It is the policy of the Corporation to adjust losses promptly and make settlements immediately upon final proof of crop loss.

Crop Insurance in 1939 and 1940

The pioneer wheat crop insurance program was introduced to wheat farmers on the crop harvested in 1939. The handlers of the farmers' grain cooperated extensively in presenting the program to growers. Many elevator operators were active in informing farmers of the program and urging them to participate. In some cases, elevators advertised the advantages of crop insurance and urged farmers to sign up. Some elevators aided growers materially in extending credit for the payment of premiums.

The 1939 harvest was disappointing to many growers, especially in the Southwest winter wheat belt where drought robbed many producers of wheat to sell. However, in those communities where farmers had taken out insurance, the effects of crop failure were offset by the indemnities that farmers received through their insurance. More than 54,000 insured farmers lost all or a part of their harvest and were compensated by the equivalent of 10 million bushels of wheat from the insurance reserve of the Federal Crop Insurance Corporation. For hard-hit wheat communities, insurance meant a new degree of security, providing more stable income and buying power.

As a result of the demonstration of the guaranteed yields in 1939, more than 378,000 farmers have insured their 1940 harvest. Through these contracts these growers have made certain that they will have at least 106,000,000 bushels of wheat income from 11,250,000 acres.

The handlers of the farmers' grain can do a service to the farmers, themselves, and their communities by continuing their efforts in informing the farmers regarding the crop insurance plan and aiding them to get such insurance. They can thus in a practical way aid in this program to make wheat growing a safer, more stable industry.

**THE FEDERAL CROP
INSURANCE CORPORATION
U. S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C.**

List of informational material on Federal Crop Insurance. Copies of this material are available from State AAA offices or from the Federal Crop Insurance Corporation, Washington, D. C.

LEAFLETS . . .

Can You Afford Profitable Waiting? FCI-Information 1, 4 pages, illustrated.

Make Surplus Wheat Work for You—Not Against You, FCI-Information 2, 4 pages, illustrated.

Your Farm Will Suffer Crop Failure—When? FCI-Information 6, 4 pages, illustrated.

Crop Insurance and the Multiple-Unit Landowner, FCI-Information 11, 12 pages, illustrated.

POSTERS . . .

General poster on crop insurance entitled "Crop Failures Don't Worry Me." Size 21 x 32½ inches, two colors.

Winds Will Blow! Size 14 x 17 inches.

Farmers Lose 150,000,000 Bushels of Wheat Every Year from DROUGHT. Size 14 x 17 inches, two colors.

RUST! Size 11 x 14 inches, two colors.

Grasshoppers Will Come Again! Size 15 x 12½ inches, two colors.

FILM STRIPS (35 mm.) . . .

Insured Harvest.

John Wheatgrower and the Ever-Normal Granary.